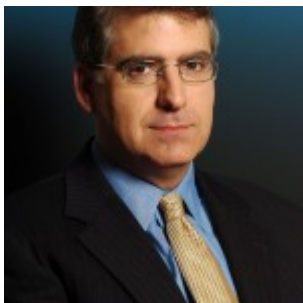


Brcko Supervisor Reports Serious Non-Compliance with the Final Award and subsidises the cost of electricity supply in Brcko District



Brcko District Supervisor, Dr. Raffi Gregorian, issued today a Supervisory Order subsidizing the cost of electricity supply to Brcko District from 1 July to 31 December 2010.

By providing 2,500,000.00 BAM from the funds reallocated to Brcko District on the basis of the Law on the Distribution, Purpose and Use of Financial Assets Obtained under Annex "C" to the Agreement on Succession Issues and 600,000 BAM from the Brcko District Public Utility Company, the average rise in prices for electricity customers in the Brcko District will be only 5.5%. This is less than the rise in prices charged to Brcko District by Elektroprivreda of Republika Srpska since 1 January this year, which is 6.2%.

The Supervisor was compelled to take this step due to Republika Srpska's continued, willful and serious non-compliance with the Awards of the Arbitral Tribunal and the High Representative's Decisions of 18 September 2009, and because of the continued, illegal blockage of the State

Electricity Regulatory Commission by its member Vladimir Dokic. Not only have their actions prevented Elektroprivreda of Republika Srpska and Elektroprivreda of Bosnia and Herzegovina to agree on a supply arrangement different from the one in place, which could have been to the benefit of all, but they have also blocked the setting of tariffs for Brcko District in a manner that could have buffered the price fluctuations throughout the year.

Supervisor Gregorian is determined to reduce, to the maximum possible extent, the immediate consequences of Republika Srpska's continued, willful and serious non-compliance and irresponsibility toward the institutions and the residents of Brcko District of Bosnia and Herzegovina and his Order has been issued to this end.

Supervisor Gregorian also reminds that the actions preventing Brcko District's full incorporation into the country's electricity system have significantly and unnecessarily delayed the closure of international Supervision over Brcko District, despite the many statements of Republika Srpska officials claiming to want an end to Supervision. The Supervisor has made numerous attempts over the past six months to assist the RS Government in finding a way to come into compliance with their established legal obligations towards Brcko District. The International Community has also made repeated calls through the Communiqués of the Peace Implementation Council Steering Board of 19 November 2009, 25 February 2010, and 30 June 2010.

The Supervisor today announced his intention to file a complaint with the Arbitral Tribunal against the RS for its serious non-compliance with the Brcko Final Award and reserved his right under the 1999 Final Award and its Annex to order the entities to make up any financial short-fall Brcko District may suffer as a result of this serious non-compliance. Whilst this does not prevent the RS from deciding to meet its obligations a referral to the Tribunal can result

in a number of steps being taken in this instance by the Tribunal itself.

Supervisor Gregorian reiterated today that the fastest, simplest, and most effective way to resolve the matter is to publish the High Representative's decision in the RS Official Gazette, as required by RS Law.